

## Questions and Answers

Date: October 30, 2017 (Mon) 16 : 30~17 : 30  
Place: OTEMACHI 1<sup>st</sup> SQUARE CONFERENCE Room D, Tokyo  
Speaker: Mr. Kenji Kamiya, President  
Mr. Akito Ode, Executive Officer  
Mr. Takehito Suzuki, General Manager, Corporate Planning Department

※The following is the content of the questions and answers at the financial results briefing. Some parts have been added and corrected for making them more understandable.

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• **About the revision to the full-year earnings forecast for the fiscal year ending March 2018**  
**(p.10 of the material for the financial results briefing)**

- Q. With respect to the full-year earnings forecast for the fiscal year ending March 2018, please tell us the reasons why you have reduced gross profit of the group companies (including TIRE WORLD KAN BEST CO., LTD.) after reviewing it.
- A. Regarding TIRE WORLD KAN BEST, sales are growing at a greater rate than expected in the initial forecast; however, there is a need to procure more studless tires in addition to the initially forecasted procurement amount, opening up a possibility that the cost of goods sold will exceed the forecast. Therefore, gross profit is expected to decline.
- Q. What do you think about whether you will leave the medium-term management plan for the fiscal year ending March 2019 and subsequent years unchanged or revise it downwardly, following the downturn revision to the full-year earnings forecast for the year ending March 2018.
- A. Regarding whether the medium-term management plan will be revised downwardly or not, we kindly ask for your understanding of efforts that our company will put forth to attain the revised forecast for this fiscal year. The major factor in the revision to the sales forecast is Goo Checkup, for which we will review the service flow and strive to conduct promotional activities for attracting customers using alliances. In addition, in the Goo Business, sales of products and services related to MOTOR GATE are showing a steady growth, and we will endeavor to achieve the revised forecast this year while making up a shortfall with this rising sales.
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• **About the downturn revision to operating income due to the increase in advertising expenses**  
**(p.19 of the material for the financial results briefing)**

- Q. Regarding the full-year earnings forecast for the fiscal year ending March 2018, please tell us the reasons for the reduction in operating income by 800 million yen from the initial forecast.
- A. The significant factor is the augmented advertising expenses from the initial forecast with the aim of promoting Goo Net more strongly. In the previous year and this year, as part of the structural reforms of Goo Series, we decreased the publication frequency of the information magazine Goo nationwide, and it is now published monthly. Following the shift from paper media to online media, we will enhance promotional activities to make Goo Net a more effective medium to sell products.

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• **Car Maintenance Field: About review of GooPit (p.17 of the material for the financial results briefing)**

- Q. With respect to GooPit, please tell us about the following 2 points: how far behind the forecast are you at this moment, and at which point do you think you will catch up with the forecast?
- A. After the second quarter, we think that the number of maintenance shops which are listed in GooPit and have concluded fee-based contracts with our company is gradually expanding thanks to our improved sales approaches. In the present circumstances, although we are 6 months behind the forecast, we will strive to increase the number of maintenance shops with which we conclude fee-based contracts to 3,000 in the next fiscal year.

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• **Car Maintenance Field: About review of Goo Checkup (p.18 of the material for the financial results briefing)**

- Q. Please tell us about the details of the review of the service flow of Goo Checkup and how much improvement is expected from the review.
- A. The competing online car inspection services require “making reservations by visiting the stores” before receiving the services. In our Goo Checkup, in contrast, customers need to submit “application” for the car inspection service; however, users and maintenance shops must take a number of steps for the service, which has resulted in a much higher cancellation rate in the conventional Goo Checkup service than other competing services provided based on reservations made through store visitation.
- Thus, we will experimentally offer a new inspection service by changing the service flow to the same form as the competing ones and reducing the basic car checkup fees in order to improve our service so that it will satisfy users’ needs. We believe that we will cultivate achievements by expanding the improved service throughout Japan based on the results of the experimental service in the Tokai region.

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• **About medium- and long-term business plan**

- Q. We consider the medium- and long-term plan as ambitious. Are you confident of maintaining an annual growth rate of 4 – 5% for the next 5 years?
- A. We would like to realize a double-digit growth rate for both sales and operating income. Our company has successfully and steadily expanded the number of client companies, which are a source of revenue, and our new services, including MOTOR GATE Shopping and MOTOR GATE Calendar, have also contributed to revenue. As far as the advertising-related business in the used car field goes, it may be difficult to attain a growth rate of 5 – 10% every year since we have already held an outstanding market share; however, we believe that our company will thrive further if we can considerably increase our share in new fields, such as the car maintenance field and the new car field.
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